

## INCENTIVE AWARDS PROGRAM IN THE FEDERAL GOVERNMENT

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A REPORT WITH CONCLUSIONS AND RECOMMENDATIONS MADE AS A RESULT OF THE INVESTIGATION INTO THE PERSONNEL NEEDS AND PRACTICES OF THE VARIOUS GOVERNMENTAL AGENCIES BEING CONDUCTED BY THE SUBCOMMITTEE ON FEDERAL MANPOWER POLICIES PURSUANT TO SENATE RESOLUTION 53, AS AMENDED BY SENATE RESOLUTIONS 206 AND 288, WITH THE PURPOSE OF FORMULATING POLICIES FOR THE MOST EFFECTIVE UTILIZATION OF CIVILIAN PERSONNEL DURING THE PERIOD OF THE NATIONAL EMERGENCY



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MR. JOHNSTON of South Carolina, from the Committee on Post Office and Civil Service, submitted the following

### REPORT

[Pursuant to S. Res. 53]

The Subcommittee on Federal Manpower Policies was authorized and directed by Senate Resolution 53, approved February 19, 1951, to conduct a study into the manpower and personnel policies and practices of the Federal Government with a view to the formulation of policies for the most effective utilization of civilian personnel during the period of the national emergency.

As a part of this study the subcommittee has made a thorough survey of the incentive awards program in the executive branch and submits herewith its complete report.

### SUMMARY OF REPORT

The incentive awards program in the Federal Government is designed to provide employees or groups of employees with monetary or honorary awards for suggestions, special acts or services, or work performances which further economies in, or improve, governmental operations. Evidence gathered by the subcommittee proves that such a program, forcefully administered, could be an effective device in promoting greater utilization of Federal manpower, greater efficiency in Government operations, and improved employee morale.

The subcommittee believes, however, that there has been a failure to utilize fully the potentialities of the incentive awards program. This failure rests equally with Congress and the two top staff agencies of the executive branch—the Bureau of the Budget and the Civil Service Commission. Congress has enacted overlapping legislation, causing considerable confusion and making it most difficult to administer the program properly. Higher officials in the Bureau of the Budget and the Civil Service Commission charged with directive

responsibilities for the program apparently have not fully grasped the program's potentialities and have failed to furnish the aggressive direction it needed.

One piece of legislation is needed to replace the present multiplicity of bills on the awards program and thereby remove resulting inconsistencies in administration. Equally important, the present division of responsibility for the awards program between the Civil Service Commission and the Budget Bureau must be abolished and the Commission charged with full direction of the entire Government-wide incentive awards program. Direction must be understood as implying positive promotion of the program as opposed to mere monitoring.

The subcommittee report details the existing obstacles to successful operation of the program and concludes with specific corrective recommendations, of which the most important is a proposed bill (S. 3492, 82d Cong.) designed to correct present deficiencies. This recommended legislation (S. 3492) charges the Civil Service Commission with promoting and administering the program, establishes an Incentive Awards Unit within that staff agency, and incorporates present divergent legislation in one act. In addition, it removes maximum individual and agency limits on cash awards for suggestions and brings such agencies as the Tennessee Valley Authority and Atomic Energy Commission within the program. Finally, S. 3492 extends coverage of the full awards program to so-called blue-collar workers and field postal employees not presently included. In addition the bill makes permissive inclusion of military personnel. The legislation is so worded as to leave it up to the Commission, in the exercise of its administrative discretion, as to whether it wishes to retain the controversial within-grade salary increase as a method of reward or to restrict awards to lump-sum payments only.

#### VALUE OF AWARDS PROGRAM

Past experience, both in industry and Government, proves that an incentive awards program is capable of producing impressive savings. Only one aspect of such a program—cash for beneficial suggestions—will demonstrate this.

In the Department of the Navy alone, \$92,538,432 estimated first-year savings have resulted from the adoption of employee suggestions since 1944.<sup>1</sup> Each Navy dollar paid out as an award in 1950 meant a \$23 saving to the Government. All Government agencies reported \$22,210,883 in savings from suggestions during the past fiscal year.<sup>2</sup> During its 2½ years of wartime operation the War Department's suggestion program had a total estimated savings of \$153,859,236.<sup>3</sup>

In American industry, where such programs have been known since the early 1880's, the figures are even more impressive. Today over 5,000 companies operate suggestion systems. A very active National Association of Suggestion Systems has existed since 1942 with headquarters in Chicago. Over 400 representatives from industry and Government agencies are included in its membership. A total of only

<sup>1</sup> Navy Department (Office of Industrial Relations). Navy Beneficial Suggestion Program Annual Operating Statistics for 1944-50, as amended June 1951.

<sup>2</sup> Bureau of the Budget, Agency Employee Suggestion System Results: Fiscal years 1950-51 (appendix 9 to this report).

<sup>3</sup> War Department (Civilian Awards Board, Washington, undated) History Suggestion and Awards Program 1943-45, p. 10.

152 reporting industries handed out nearly \$4,000,000 in awards during the last year.<sup>4</sup> (Estimations of industrial savings are considered confidential.) One firm alone—General Motors—granted \$975,196.<sup>5</sup> Over the past 2 years its awards have totaled \$1,662,758. Since the amount of the award in this firm cannot exceed 16% percent of the first year's savings<sup>6</sup> (excluding costs of administering the program or installing the suggestion) an approximation of the imposing savings can be gained. General Electric Co. granted \$375,382 in cash awards during 1951, and Ford Motor Co., \$311,228.<sup>7</sup>

The World War II industrial suggestions program sparked by the War Production Board was described as "one of the most effective instruments growing out of the war effort."<sup>8</sup> Estimated annual savings were conservatively placed at \$300,000,000. A total of 200,000 man-years were saved.

These savings statistics are not exaggerated. If anything, they are overly conservative, since they represent savings from only the first year the suggestions was put into effect. No attempt is made to include savings from later years. For example, a Navy suggestion regarding time fuses initiated by Mr. R. L. Graumann in 1943 is listed as having saved the Government \$23,000,000.<sup>9</sup> However, incredibly high as even that figure sounds, it stands for only first year savings. Total savings accrued since the suggestion was adopted until the end of World War II were actually \$236,000,000.<sup>10</sup> However, impressive as the foregoing statistics may be, it is a mistake to believe that monetary benefits are the only values derivable from an awards program. Frequent surveys made in industry have proven that the latter regards as even more important the improved employee morale its suggestion plans have brought about.<sup>11</sup>

#### HISTORICAL BACKGROUND

The cash for suggestions program is new neither to Government nor to industry. A Scottish shipbuilder, William Denny, installed the first such program in his Dumbarton shipyards in 1880. Yale & Towne Manufacturing Co. at Stamford, Conn., probably first introduced the idea in this country in the early eighties, with the National Cash Register Co. following in 1894. Moreover, such programs are not new in other countries. Michelin Tire of France installed one shortly after World War I. The large Alfa-Romeo plant in Turin, Italy, has just reinstituted an old suggestion plan which had lapsed during the last war.

In the field of government, the British as early as 1903 had a scheme of suggestion awards operating in its Royal ordnance factories.<sup>12</sup> In the United States, the Federal Government entered the

<sup>4</sup> National Association of Suggestion Systems (committee on statistics, Chicago, 1951) NASS Suggestion Plan Statistical Report and Analysis Book, 1950, p. 1.

<sup>5</sup> Ibid., p. 4.

<sup>6</sup> Ibid., p. 12.

<sup>7</sup> Ibid., pp. 4 and 6.

<sup>8</sup> Report of Employee Suggestions Subcommittee on Progress of Federal Suggestion Programs Under Public Law 600 (a report dated March 9, 1950, from Employee Relations Committee to Chairman, Federal Personnel Council, United States Civil Service Commission).

<sup>9</sup> Pearse, Ben "Do You Have a Million Dollar Idea?" Saturday Evening Post, February 10, 1951.

<sup>10</sup> Ibid.

<sup>11</sup> Report of Employee Suggestion Subcommittee on Progress of Federal Suggestion Programs Under Public Law 600, dated March 9, 1950, op. cit., p. 3; also see Herman W. Seinwerth, *Getting Results From Suggestion Plans* McGraw-Hill, 1948, ch. 3.

<sup>12</sup> Suggestion Schemes in Government Departments (study published by Organization and Methods Division, British Treasury, November 1946), p. 1.

field when the act of July 17, 1912 (37 Stat. 193; 50 U. S. C. 58), authorized the Secretary of War to pay cash awards for suggestions by workers in the Army's ordnance shops. A similar but more active program was initiated by the Department of the Navy in 1919 under Acting Secretary Franklin D. Roosevelt (act of July 1, 1918; 40 Stat. 718, 5 U. S. C. 416).

Between the two wars, however, both Government and industrial suggestion schemes were generally inoperative and it was not until World War II that they really came into their own. Within a year after Pearl Harbor 1,400 new systems were in operation in industry. In the Government, the Mead-Ramspeck Act of August 1, 1941, authorized salary increases to certain Government employees for "meritorious service" (Public Law 200, 77th Cong., 1st sess.). This was the only type of award that could be given employees by agencies at that time without special legislation. In 1943, the War Production Board spurred the defense industry into establishing a considerable employee suggestion program under the guidance of each factory's labor-management committee.

In 1943 the Navy Department revitalized its beneficial suggestion program under the old act of July 1, 1918. Special legislation included in their appropriation acts permitted a few more agencies—the Department of the Interior, the Maritime Commission, and the War Department—to give cash awards for adopted suggestions resulting in improvements or economy in operations. A few offices, such as that of the Post Office, operated employee suggestion programs on an honorary recognition basis. The War Department's "ideas for victory" program was particularly noteworthy, saving more than \$100,000,000 during its 2 years of wartime operation.<sup>13</sup>

It was not until 1946, however, that the employee suggestion program was extended to certain hitherto uncovered Government agencies (sec. 14 of Public Law 600). Finally, in 1949, title X of the Classification Act introduced the new principle of granting awards to groups of employees or individuals whose suggestions or work performances contributed to efficiency in Government operations (Public Law 429; 5 U. S. C., 1946 ed., supp. III, sec. 1151). A special effort was made to reward the supervisor who made economies in the operation of his own office. Title VII of the same Classification Act continued the Mead-Ramspeck step increases for meritorious service (now called superior accomplishment) originally introduced in 1941.

Outside of the Federal Government, at least five States—New York, Texas, Maine, California, and New Jersey—have award programs. Minnesota experimented with the idea in 1943, but apparently did not put it into full operation.<sup>14</sup> The New York program was introduced after World War II and allows cash awards for suggestions or exceptional accomplishments in the line of duty. New Jersey has just installed a suggestion program designed to further efficiency and economy in the operation of its State functions. Canada started legislation last year for a similar program.

It will be seen that the Government's three major enactments relating to incentive awards primarily break down into recognition of employees for (1) their suggestions and (2) their commendable work

<sup>13</sup> Pearce, *op. cit.*

<sup>14</sup> Recognition of Constructive Suggestions by State Employees (division of administrative management, State Capitol, St. Paul, Minn., 1943).

performances. The attempt to encourage employees to submit suggestions contributing to some improvement in organizational operations has been shown to be common both to industry and to government. A special program adequately to recognize outstanding personal performance, however, is particularly important to Government. This is due to traditional Federal personnel procedures. In many industries an outstanding worker can fairly easily be rewarded with a promotion or pay increase. However, in Government service, promotions do not always come as acknowledgment of an individual's excellent past performances. Due to the impact of relatively rigid qualification standards, Federal promotions may hinge on the possibility of there being a position vacancy above the deserving employee into which his "paper" qualifications, not his past outstanding work performances, can be fitted. Thus, in attempting an awards program, the Government has been faced with a greater task than that faced by industry.

#### LEGISLATION

At present, the Government's incentive awards program operates under three different major legislative provisions:

(1) Step increases for superior accomplishment under section 702 of title VII of the Classification Act of 1949 (Public Law 429, 81st Cong., approved October 28, 1949; 63 Stat. 968; 5 U. S. C., supp. IV, 1122; appendix 1 to this report).

(2) Cash awards for employee suggestions under section 14 of Public Law 600, Seventy-ninth Congress, and under Executive Order 9817, issued pursuant thereto on December 31, 1946. This section also provides for honorary awards (60 Stat. 809; 5 U. S. C. 116; appendixes 3 and 4 of this report).

(3) Efficiency awards under title X of the Classification Act of 1949 (Public Law 429, 81st Cong., approved October 28, 1949; 63 Stat. 971; 5 U. S. C. supp. IV, 1151-1153; appendix 2 of this report).

#### *Title VII. Superior accomplishment step increase*

This program allows for a one-step within-grade increase to be given an employee as a "reward for superior accomplishment." Only one such additional step increase is authorized within each 52- or 78-week period, depending on grade. The Civil Service Commission, which is charged in title VII with administering its provisions, has defined "superior accomplishment" to include: (a) Outstanding performance, (b) sustained work performance, (c) an adopted idea, method, or device improving public service or providing more economical operation, or (d) a special act or service. All the foregoing save subparagraph (c) must be over and above the normal requirements of the employee's position (appendix 5). Only full-time per annum Classification Act workers (roughly 1,010,000 Federal employees) are eligible. Wage-board employees are not under the act. Similar legislation had existed since 1941.<sup>15</sup> Any award must be either postaudited or preaudited by the Commission.

<sup>15</sup> The Mead-Ramspeck Act of 1941 (Public Law 200, 77th Cong., 1st sess.) and, later, the Federal Employees Pay Act of 1945 (Public Law 106, 79th Cong., 1st sess.) were direct predecessors of title VII and employed basically similar language.

*Title X. Awards for efficiency*

A cash award or a salary increase may be granted to an employee or group of employees in full-time classified positions whose superior accomplishments have contributed to "outstanding efficiency and economy" in the operation of their own organizational unit. Awards are made on the basis of demonstrable savings which may be the result of a suggestion or other personal accomplishment. Final grants of title X awards may be made only by the Efficiency Awards Committee which must be established in each department. The legislation charges the Bureau of the Budget with direction of the program. Individual cash awards cannot exceed an amount equal to three times the step increase for the employee's grade. Where cash would be an inadequate recognition of an employee's achievements, either a one-, two-, or three-step salary increase may be granted in lieu of any lump-sum payment. Bureau of the Budget Circular No. A-8, Supplement No. 1, dated February 28, 1950, implements the legislation (appendix 6).

*Public Law 600 employee suggestions program*

Section 14 of Public Law 600 authorizes department heads to grant cash awards to "civilian officers and employees" for meritorious suggestions which will "result in improvement or economy in the operations of the department and which have been adopted for use." Employees are ineligible if their suggestions represent part of the "normal requirements" of their duties. Executive Order No. 9817, December 31, 1946 (appendix 4) was issued in effectuation of Public Law 600 and by implication made the Bureau of the Budget responsible for its direction. The Executive order also provides a sliding scale for awards where a suggestion has resulted in money savings. This scale is graduated from a maximum figure of 5 percent to less than one-half of 1 percent of the estimated first-year savings resulting from adoption of the suggestion. Furthermore, the phrase "improvement or economy" is so defined as to provide cash awards for suggestions resulting in improvements which, valuable as they may be to the Government, nevertheless result in no measurable dollar savings. Public Law 600 covers virtually all Federal workers. A large part of the preliminary work in drafting section 14 (as well as the resulting Executive order) was done by an informal, interagency group of suggestion program administrators working in conjunction with the Bureau of the Budget.

(a) *Honor awards.*—Section 14 of Public Law 600 also provides that departments may incur expenses for rewarding employees in honorary recognition of service determined to be "exceptional or meritorious" enough to warrant such recognition. Some departments, such as Interior and Agriculture, carry on an excellent honor awards program. Although this report will not touch upon honor awards, it nevertheless points out that they hold a definitely strong place in many agencies' over-all awards activities. The Tennessee Valley Authority operates a very successful employee suggestion program, but it does so under general authority in its own enabling act (sec. 3 of the Tennessee Valley Authority Act of 1933). It is fairly unique in that it grants no cash awards.<sup>16</sup>

<sup>16</sup> Highlights of the Cooperative Program of TVA and the Tennessee Valley Trades and Labor Council, *Teamwork*, pp. 4-5, August 1950. (Booklet of Central Joint Cooperative Committee, TVA.)

## GOVERNMENT PROGRAM FALLS SHORT

Except for a few notable exceptions such as the Department of the Navy, which has a program comparing favorably with most in industry, the Government's incentive awards program has fallen short of its full potential value for encouraging management improvement and employee morale.

Take, for example, the title VII step increases for superior accomplishment. Although 1,010,000 Classification Act employees were eligible for such awards during fiscal year 1951, only 955 were reported as so honored.<sup>17</sup> Certainly more than one-tenth of 1 percent of eligible Government workers have accomplished something in the past year deserving of this recognition. Numbers of meritorious within-grade salary advancements granted in previous years are equally unimpressive:<sup>18</sup>

1942-----	950	1945-----	1,468	1948-----	610
1943-----	1,575	1946-----	716	1949-----	970
1944-----	733	1947-----	1,248	1950-----	1,049

Statistics are almost as dismaying when one considers the title X efficiency awards. It is wishful thinking to call a program a success which reported on June 30, 1951, only a grand total of 44 awards since its inception. Its agency coverage is even less impressive since, of the 44 grants, 20 of them were by one department: Agriculture. Although one of the key features of title X legislation was its emphasis on group awards, only six had been reported through June 30, 1951.<sup>19</sup> All indications since the publication of these figures are that the title X phase of the Federal awards program is definitely picking up momentum but how much is still a matter of dispute.

Even in the most successful phase of governmental incentive awards, that of cash for suggestions under Public Law 600, there is not too favorable a comparison with industry's parallel program. This is strikingly true when one excludes statistics from the Department of Defense, the record of which is considerably above that of the over-all Government average. (See appendix 9. Defense, alone among Government agencies, has neither the \$25,000 agency award limit nor the \$1,000 individual maximum.) An analysis published in 1950 and still basically valid showed a nine times greater rate of participation in suggestion programs by employees in industry than in Government.<sup>20</sup> Furthermore, 25.7 percent of all suggestions submitted by the reporting industrial concerns were adopted while the rate in the Federal Government outside the Pentagon was only 15.8 percent. These are the most important statistical criteria used to analyze the success of any suggestion scheme, and indicate that both employee interest and the quality of the ideas submitted were considerably higher in industry than in Government. In the last fiscal year, employees of just two industrial concerns—Eastman Kodak and General Electric—turned in almost as many suggestions

<sup>17</sup> Civil Service Commission, Report on Additional Step Increases as Rewards for Superior Accomplishment for Fiscal Year 1951, at p. 7. (Appendix 7 to this report.)

<sup>18</sup> Ibid., p. 7.

<sup>19</sup> Bureau of the Budget, Statistical Report on Efficiency Awards (Title X): Fiscal Years 1950-51. (Appendix 8 to this report.)

<sup>20</sup> Report of Employee Suggestion Subcommittee on Progress of Federal Suggestion Programs, dated March 9, 1950, op. cit., p. 2.

as did the entire body of eligible Federal employees (which exactly outnumbered them, 10 to 1).<sup>21</sup>

#### RESPONSIBILITY FOR LACK OF PROGRAM SUCCESS

Responsibility for this unsatisfactory picture rests partially with Congress which has passed overlapping legislation making it most difficult to administer the incentive awards program in the agencies. Equally responsible are the two top-staff agencies charged with program direction—the Civil Service Commission and the Bureau of the Budget—for their failure to furnish the aggressive promotion needed to push the plan throughout the Government.

High officials in the Bureau of the Budget apparently have not fully grasped the great potentialities of an awards scheme as a tool to effect greater economies in governmental operations as well as to increase employee morale. They do not appear to have allotted sufficient personnel to meet even the modicum of their program responsibilities. The result has been that these agencies have never been able to furnish the departments with the forceful topside direction and support they needed to put an awards system into fully effective operation.

Indicative of the support of higher officials within each top agency is the fact that the Budget Bureau has allotted one individual on a part-time basis and the Commission two persons totaling between them 1.2 man-years to meet their manifold staff obligations under the awards program. Contrast these statistics with the 13 full-time individuals one department has found necessary to successfully direct its agency program. Also significant is the Director of the Budget's statement to subcommittee staff members that he felt the function of the Bureau was to act as a "critic" and not a "promoter" of programs within the agencies. The foregoing is doubly disappointing inasmuch as industrial and Government experts are unanimous in stating that it is essential to the success of any awards plan that it have the unqualified and active support of top management.<sup>22</sup>

The two staff agencies have made some attempts to aid the program but too often these have been personal efforts of a particularly conscientious employee. In 1943 an unpublished Bureau study of suggestion systems, informally circulated, was a rich source of information for the few agencies which did establish ultimately wartime employee suggestion plans. The Commission currently maintains a commendable bibliography on the subject of suggestion plans.<sup>23</sup> Its awards expert has written a most helpful description of the Government awards program, one of the better studies in the field.<sup>24</sup> Nor could any report fail to note the commendably conscientious efforts of Mr. Charles Parker of the Bureau of the Budget, who probably has done more than any other single person to revitalize the Government's program.

However, it would take many more than these examples to dispel the picture of lethargy these two staff agencies have created. Although

<sup>21</sup> NASS Suggestion Plan Statistical Report (1950), op. cit., pp. 6 and 10. (Note: Actual statistics were that 2,184,815 Federal employees covered in Bureau of the Budget Report submitted 106,280 suggestions. On the other hand, an aggregate of 218,972 industrial workers submitted 101,159 suggestions.)

<sup>22</sup> Suggestion Systems, Report by Policyholders Service Bureau, Group Insurance Division, Metropolitan Life Insurance, New York, undated, at p. 8.

<sup>23</sup> United States Civil Service Commission Library, Bibliography on Public Personnel Administration Literature (pt. IV, pp. 50-61; with annual supplements), 1949.

<sup>24</sup> Scheldrup, Gudrun, Incentives, Awards, and Rewards in the Federal Service. (Prepared in Personnel Classification Division of the Civil Service Commission) February 1951.

the step increase (for superior accomplishment) plan had existed since 1941 and that of Public Law 600 (cash for suggestions) since 1946, it was not until 1950 that an attempt was made to integrate the various award plans. On February 28, 1950, under impetus of title X of the Classification Act of 1949, Supplement No. 1 to Bureau of the Budget Circular No. A-8 was issued as a "joint approach" by the Bureau and the Commission to the "coordinated administration" of all existent award plans. (See Appendix 6). Under its authority, the Bureau has become the coordinator for the Government-wide awards program, and agencies have been directed to establish their own efficiency awards committees to integrate all awards activities within their organizations. However, any coordination referred to in Supplement A-1 has been more theory than practice. Agencies still conduct title VII's superior accomplishment programs under instructions from the Commission.<sup>25</sup> Each such award must be reported to, and given a postaudit or preaudit by the Commission. On the other hand, the agencies look to Budget for guidance on the remaining award plans: Public Law 600 employee suggestions and title X efficiency awards. All this is due to either legislative fiat or executive implementations. This unfortunate division of responsibility has another effect in some departments where the unit personnel offices process all title VII awards and the management offices implement all Public Law 600 and title X details. There is often little, if any, correlation at agency level.

The Commission has been delinquent in the past in encouraging the agencies to utilize salary step increases as a reward for superior accomplishment. Indeed, at one time the Commission itself was the greatest stumbling block to making this form of award a popular one. Although the pertinent legislation authorized a step increase for any "superior accomplishment" the Commission so defined the latter term as to restrict greatly the use of this type of incentive award: it defined "superior accomplishment" to include suggestions only if they were above normal requirements of the employee's position.<sup>26</sup>

At the present time, departments are pretty much on their own when it comes to implementing their own programs. Little, if any, pressure comes from the top staff agencies to assure that an agency head installs an awards system. (This is important because while agencies subject to title X's provisions are "directed by" the legislation to install an efficiency awards program, departments are merely "authorized" to establish superior accomplishment or cash for suggestion schemes under either title VII or Public Law 600.) Moreover, little or no Bureau or Commission follow-up is made to assure that agencies having schemes are properly administering them. Nor does either make any regular effort to "doctor" any weak agency program. Finally, no inspection procedures exist to determine whether a department's program is actually in operation or merely on paper.

Both top-staff agencies maintain minimum reporting systems. Each Government agency makes an annual report to the Budget Bureau on the operation of its entire awards program. Separate monthly reports are made to the Commission on title VII superior accomplishments. These statistics are routinely compiled by the top staffs for ultimate submission to Congress. Reports are little

<sup>25</sup> U. S. Civil Service Commission, Federal Personnel Manual, sec. 22.15, pp. Z1-315, 316.

<sup>26</sup> Ibid., p. Z1-326, dated September 18, 1947 (no longer in effect).

publicized. No effective statistical analysis is made. Statistics compiled by the Bureau on the same program sometimes fail to dovetail with those maintained by the Commission and vice versa.

No provision is made for one central staff unit to design, print, and distribute award program posters or similar promotional material to all Government units having a program. At the present time smaller agencies which perhaps otherwise could not afford to print such materials have informally worked out arrangements with Navy to use its excellent posters. Nor is there any central staff clearinghouse to assure that a suggestion or work method found valuable in one department is called to the attention of another department in which it feasibly could prove of equal value. The agencies themselves have worked out informal methods whereby a description of suggestions adopted as useful by one unit are circularized for possible adoption to other organizational units.

Little, if any, stimulus has been given above department level to honorary awards such as medals, emblems, and certificates authorized by Public Law 600. Each department and agency designs its own medals and makes its own arrangements with the Bureau of the Mint for their manufacture.

Finally, although an interagency committee of departmental personnel engaged in directing the various awards programs has existed for some time, it is on too informal a basis, is too restricted as to participating members, and meets too sporadically to be the effective instrument it should be.

#### WHY TITLE X FAILED

Title X's legislative goals are important enough to warrant a special analysis of its failure to be placed into effective operation more quickly. Certainly, few would dispute Senator Russell B. Long's attempt to get Federal office units working as a team to effect greater economies in their group's operations and, above all, his desire to reward supervisors who had enough courage to eliminate excess personnel in their units.<sup>27</sup>

However, reasons for the program's apparent nonsuccess are not simple to determine. Certainly, lack of an aggressive follow-up by the undermanned Bureau of the Budget had something to do with it. Another big consideration was the legislative complexities already referred to in this report. Finally, the Bureau's interpretation of "efficiency and economy" (which pinned it down to actual appropriation savings and required that the appropriation be named) prevented the recognition of efforts that brought about small savings. To

<sup>27</sup> Senator Russell B. Long of Louisiana is certainly the originator of title X. Ideas which he first proposed in May 1949, at subcommittee hearings of the Senate Post Office and Civil Service Committee were later spelled out in detail with Bureau of the Budget and Civil Service Commission representatives to emerge as title X. (See Hearings Before a Subcommittee of the Committee on Post Office and Civil Service, U. S. Senate, 81st Cong., 1st sess. on S. 558, S. 559, S. 1762, S. 1772, S. 1790, and other bills, Washington, D. C., U. S. Government Printing Office, 1949, pp. 26, 44, 55, 111, 112, 304-7. Also see Congressional Record (Washington) v. 95, 1949.) The legislative history was as follows: Senator Long introduced S. 2379, containing title X, on August 4, 1949 (p. 10737 of Congressional Record), and the bill was sent to the Committee on Post Office and Civil Service. It was reported back from the committee on August 5 (p. 10806), accompanied by S. Rept. 847. The bill was debated September 30 (pp. 13602-05), and passed the same day (p. 13605). The title H. R. 5931 was substituted for the previous S. 2379. Disagreement with the House version—which contained no clause referring to an incentive program—resulted in a conference. The conference report (No. 1447), was returned October 17 (p. 14809, et seq.). This report discusses title X on p. 14815. During the debate which followed in the House, the incentive plan was described and supported by Representatives Murray and Rees (p. 14818). The House agreed to the report on October 17 (p. 14820), and the Senate did likewise October 18 (p. 14850).

illustrate, to which appropriation would you allocate a \$500 time-saving device in an office which has one appropriation for salaries, another for maintenance, and another for supplies?

But there were more basic reasons even than these. Many departmental operating personnel felt that title X legislation was an unneeded superimposition on an already adequate awards program under which most of title X's purposes could have been fulfilled. (As already noted, a Government-wide employee suggestion program had existed since 1946 and title VII step increases for superior accomplishment had been authorized since 1941.) Title X in effect authorized cash or salary rewards for personal performances or suggestions which contributed to "efficiency and economy." Yet, the existing legislation had already provided for a cash award; such legislation, also, had included a method of salary award; it rewarded personal performances or suggestions, and it could reward the latter if they contributed to efficiency and economy. Under certain circumstances, it was even possible to give a supervisor an award (for an "idea, method, or device" under title VII's predecessor). Even though an out-and-out group award was impossible, it was possible to approximate one. There was no reason why each member of an outstanding office group could not receive a step increase as long as each individually met the requirements for a superior accomplishment reward. So actually, the introduction of title X added few new basic ideas to the Government's awards program. It really just made it easier to award supervisors and office groups.

Hence, when the departments went to apply the new title X legislation, most of them merely added it onto their already operating awards programs and regarded title X as just another pigeonhole of legislation into which an awards committee could fit some suggestion or work performance which clearly deserved reward. A few agencies, such as the Veterans' Administration and the Federal Security Agency, realized the considerable potentialities of title X as a management improvement device and reoriented their whole awards program toward that aim.

Another factor in title X's apparent failure can only be understood in a reconsideration of its purpose. What Congress was really trying to do was to assure that agencies economized. (It wasn't mere accident that title X followed on the heels of an earlier Executive order on management improvement, the prime goal of which was to further more economical governmental operations).<sup>28</sup> Congress had often tried indirectly to accomplish these same ends by more drastic actions, such as 10 percent across-the-board agency appropriation cuts. Title X was a more tactful attempt to reach the same result by coaxing office units and supervisors to get the job done with as little cost as possible, and then to let them split up a portion of the savings occasioned by their efforts.

#### LEGISLATIVE COMPLEXITIES HINDERING THE AWARDS PROGRAM

Important as have been the foregoing criticisms, the greatest barrier to the success of the Government's incentive awards program has been the overlapping legislation which has so unduly complicated its proper administration. Criteria as to amount of award, employees' eligi-

<sup>28</sup> Executive Order No. 10,072, dated July 29, 1949.

bility, etc., vary completely from act to act, even though the same deserving work performance or beneficial suggestion may be at issue. Any agency awards committee, when confronted with a clearly deserved recommendation for award, must run a maze of conflicting requirements before it can definitively decide under which legislation the action may be recognized. To assure that any resultant reward is fair to the recipient any such decision may even involve the use of complicated award equivalent charts (see appendix 10).

To properly introduce the problem let us regard an agency awards committee which is considering a suggestion submitted by one of its supervisors which suggestion definitely aids his office operations and clearly deserves an award of some sort. The group's logical first reaction would be to apply the Public Law 600 cash for suggestion legislation. Immediately, however, any recognition under that law would be barred because the latter requires that the idea be outside the "normal requirements" of one's duties.

The committee's next probable step would be to attempt to fit the suggestion under the efficiency award provisions of title X since under this act it is rewardable even if within "normal requirements." But, let us say that this suggestion has to do with a better service to be furnished the public, something which cannot be measured in dollars and cents. Therefore, the committee finds that it cannot apply title X since the latter requires demonstrable savings.

Finally, the committee will endeavor to pigeonhole the award under the wording of title VII for one-step within-grade promotions. The suggestion apparently meets all criteria, since title VII has neither the "demonstrable savings" nor "normal requirements" criteria. But now the committee reaches an impasse when it realizes that our particular supervisor is at the top of his grade and title VII does not authorize a meritorious promotion beyond the maximum of one's grade. So our suggester can actually find himself without any monetary recognition for his admittedly valuable idea.

#### SUMMATION OF LEGISLATIVE BARRIERS

The foregoing merely introduces the problem. The following important inconsistencies stem either from the legislation itself, or implementations thereof. They stand as distinct barriers to a successful Government-wide program.

(1) Efficiency awards under title X and those for superior accomplishments under title VII can be given only to those Federal employees whose jobs are covered by the Classification Act of 1949. (The provisions of Public Law 600 regarding employee suggestions, on the other hand, extend to all "civilian officers and employees:" virtually all Government workers.) This eliminates wage board and Postal Act employees, or approximately half the Government's work force. In one agency, Navy, this excludes more than two-thirds of its employees from such incentive awards. In industry such workers are considered the most fruitful source of worth-while ideas.

(2) There is no method by which an individual can be rewarded if his suggestion applies to any agency other than his own. There is no authority for an interagency transfer of award funds. For example, if an Interior Department employee comes up with a worth-while suggestion regarding improvement of operations in the Department of

Commerce, Interior cannot grant him an award since any cash award is chargeable "only to the activity primarily benefiting."<sup>29</sup> Moreover, the Department of Commerce would be unable to award him monetarily since he was not its employee (Public Law 600 authorizes a department head to grant awards for improvements only in "the operations of his (own) department"). In the Department of Defense this has been interpreted so as to prevent an Army employee, for example, from receiving a cash award for a suggestion he might have regarding an Air Force installation. This same problem arises in another situation: when a suggestion is applicable to more than one agency, including the employee's own. To be just, the employee should be paid for the total savings realized by the suggestion for the first year but today he can receive a monetary award only from his own agency and only for the savings realized in the latter. The other agencies cannot pay him any supplemental award for the savings realized in their offices due to adoption of his suggestion.

(3) No agency can pay out more than \$25,000 annually in awards for suggestion under wording of Public Law 600. Specifically exempt, however, is the Department of Defense. That this \$25,000 maximum is ridiculous can be seen when it is realized that the Veterans' Administration, which has about 185,000 employees, is equally as subject to the limitation as is the Securities and Exchange Commission, which has an employment of slightly over 1,000.

(4) Public Law 600 limits a suggester to an award of \$1,000 no matter how great the resulting savings. To receive a \$1,000 reward, a suggestion must have saved \$375,000.<sup>30</sup> Moreover, the reward would still be \$1,000, even if the saving ran into the millions. Industry's thinking on this subject is best exemplified by this statement of one of its leading experts on suggestion schemes, Herman Seinwerth, of Swift & Co.:

There should be no maximum award \* \* \* there is no reason why the size of the award should be limited because the suggestion benefits are unusually large. In fact, there is every reason to believe that, from a sound business viewpoint, the very opposite is true. Large awards mean large savings \* \* \*

(5) Under Public Law 600 as implemented by Executive Order 9817 of December 31, 1946 (Sec. 2 of appendix 4), cash awards for suggestions are limited to not more than 5 percent of the estimated first year's net savings. On the other hand, a cash award for efficiency under title X (which can include a suggestion) theoretically can amount to 25 percent of the savings but actually is sharply limited to a sum equivalent to three salary steps in the employee's grade. The ironical result is that if the suggestion is of minor significance title X will give a far greater award return than will Public Law 600. On the other hand, if the suggestion results in great savings, title X will give a slight return in comparison with Public Law 600. The irony lies in the fact that the whole intent of title X was to encourage greater savings in Government by providing greater incentives to make larger savings. To illustrate: for a suggestion with a comparatively small first year's cash savings of \$1,000, the suggester can receive \$50 under Public Law 600, yet up to \$250 under title X. On the other hand, for suggestions with much greater savings, an employee

<sup>29</sup> U. S. Bureau of the Budget. Circular No. A-8, Supplement No. 1, dated February 28, 1950, sec. 9.

<sup>30</sup> *Ibid.*, sec. 4a.

<sup>31</sup> Seinwerth, *op. cit.*, p. 61.

could receive up to a \$1,000 under the former program but under the latter would be limited by his particular grade. A GS-3 for example, could never receive more than \$240 no matter how many savings resulted (GS-3 has an \$80 step increase).

(6) Section 702 (a) of title VII, relating to meritorious within-grade promotion, states that "no officer or employee shall be eligible for more than one such additional step-increase within each of the time periods (52 and 78 weeks) specified \* \* \*". No such limitation applies to step-increases granted for efficiency under title X of the same act.

(7) Under section 14, Public Law 600, no award can be made for a suggestion if it "represents a part of the normal requirements of the duties of the (employee's) position." However, the same suggestion need not exceed the normal requirements of the duties of the suggester's position to deserve a cash award or salary increase under title X or a within-grade salary promotion under title VII. In other words, greater recognition is given the individual who limits to his immediate office his search for suggestions which might improve Government operations, rather than he who aggressively surveys all possible areas of improvement..

(8) The amount of an award under title X of the Classification Act of 1949 is geared to the employee's grade as much as to the intrinsic worth of the contribution. The higher the grade of the employee, the greater is his return. This occurs because the maximum cash award payable for an employee in grade GS-3 is \$240; for an employee in grade GS-5, \$375; for an employee in grade GS-11, \$600; for an employee in grade GS-15, \$750, even though each would make the same contribution to the efficiency or economy of the organization. This same general criticism applies to the title VII one-step increase allowed for superior accomplishment.

(9) There is too much guesswork in attempting to estimate the real net worth of any salary increase granted under the award's program whether it be a single step-increase under title VII or a one-two-three step increase under title X. Factors which are totally unconnected with the true merits of the employee's achievement or with the savings resulted from it actually determine the net worth of any salary increase given to reward the achievement. Basically, this is due to the fact that any such incentive promotion can be made only under the regular salary schedule. An employee might be granted a single-step title VII salary increase today which could be wiped out by any normal promotion to another grade he might receive tomorrow. To illustrate, the GS-5 employee who received a one-step incentive increase and is promoted to a higher grade position 1 year later actually realizes only \$125 rather than the \$750 he would have realized as a reward had he waited 6 years for a grade promotion.

(10) Related to the foregoing situation is the fact that an employee whose work performance or suggestion has been recommended for a title VII or title X salary increase cannot be given one if he is already at the maximum of his grade no matter how deserving his contribution. No authority exists under the incentive award legislation to go beyond the maximum in his grade.

(11) No recommendation for a title X efficiency award (due to the language of the act itself) can become final until approved by the top Efficiency Awards Committee in the particular agency. This

means an unnecessary delay in processing. Any recommendation for a title X award originating in a field office must make the tortuous "through channels" to Washington before it can become final. Contrast this with the fact that departmental heads are authorized to delegate authority to subordinate units to make final awards under both the title VII and Public Law 600 suggestion programs.

#### OTHER DETERRENTS TO A SUCCESSFUL PROGRAM

In addition to the foregoing array of legislatively inspired confusion, the subcommittee noted the following miscellaneous but important deterrents to a more successful Government awards program:

(1) Although authority to grant cash awards for suggestions under Public Law 600 may be delegated by an agency to its constituent bureau committees, many agencies provide that awards above certain arbitrary figures must be referred to the highest agency awards committee for final approval. For example, the Departments of Interior and Agriculture, with their better-than-average programs, nevertheless allow their Bureau committees to make final cash awards for suggestions only up to \$100. Other agencies have this figure at \$200 or \$275. Awards of amounts over such figures can be granted only at the Department level. This makes for unnecessary delay in the processing of any suggestion and also adds extra work to the higher committee's workload. Delays in processing a suggestion are important factors discouraging employee participation in any awards program, whether it be in either industry or Government.

(2) The amount of reward granted under the Government program as a whole is far too low. Although the general rule in industry has been that the cash award should be 10 percent of the first year net savings resulting from any suggestion, there has been a recent trend toward a higher figure.<sup>32</sup> Some concerns now grant as high as 50 percent of the first year savings. One, Gould's Pumps, Inc., reported it grants 100 percent of savings under certain circumstances. This plan, however, is most unique in American industry. Eastman Kodak and Bristol-Myers give 25 percent, Dupont 20 percent, and as noted, Ford and General Motors, 16½ percent. A British study made in 1950 would indicate foreign industry pays considerably above the 10-percent rule with figures of 25 to 50 percent being mentioned frequently.<sup>33</sup> The British Government's own awards program is based on a 25 percent of first year savings basis with possibilities of supplemental awards if substantial savings continue in later years. However, in the Federal Government's program over 94 percent of the total number of awards granted during the last fiscal year were limited to a maximum of 5 percent of first year's savings. Of the combined total of 22,860 awards reported, 21,861 were cash awards for suggestions under authority of Public Law 600.<sup>34</sup> It has been pointed out that even the supposedly more liberal 25 percent provision of title X efficiency awards has a three-step equivalent ceiling which maximizes at \$750.

(3) Department and agency heads have not assigned sufficient people to properly meet their responsibilities under the program.

<sup>32</sup> Seinwerth, op. cit., p. 67. Also NASS Suggestion Plan Statistical Report (1950), op. cit.

<sup>33</sup> Suggestion Schemes; Industrial Welfare Society, 48 Bryanston Square, London, 1950.

<sup>34</sup> Bureau of the Budget, Agency Employee Suggestion System Results (1950-51) op. cit. (Appendix 9 to this report).

Although a forceful promotion from the top is needed to keep an incentive awards program alive, the average department or agency has only one or two individuals in its top office who direct the program in addition to "their other duties." State Department has a stenographer and one administrative assistant who can devote only half her time to awards activities. The Department of Commerce, with over 60,000 employees, has allotted three individuals who among them total no more than 1.5 man-years to direct the Departmental program. Agriculture has two part-time individuals. A similar pattern exists for most departments with the exception of the Department of Defense. Even there the largest office component has 13 full-time workers and its program extends to nearly 450,000 individuals.<sup>35</sup> This contrasts with a successful system in industry such as that of Prudential Life Insurance in Newark, N. J., which has 25 full-time staff members operating its program for 44,300 workers.

(4) Some agencies utilize routine mimeographed acknowledgments and, in a few cases, rejection forms when processing an employee's suggestions. In industry, this is considered the surest method of "killing" a successful incentive awards program since it destroys employee interest.<sup>36</sup> Particularly important is it that a rejection must clearly explain to a suggester the reason why his idea could not be accepted. Few larger agencies have the time to utilize the ideal procedure of the small Securities and Exchange Commission wherein personal letters are used to outline in finest detail the committee's reasoning leading to the rejection of any award.

(5) Cash awards granted Government employees under the awards program are subject to withholding of income tax inasmuch as the Bureau of Internal Revenue has ruled that such payments (including those made in industry) are taxable as part of compensation.<sup>37</sup> Although an employee will be notified by his agency awards committee that he has been granted a \$10 cash award, by the time he ultimately receives his check it will be for \$8.50. One employee was so disgruntled after receiving this treatment that she stated adamantly to subcommittee staff members that she would never again submit a suggestion. Most employees are not quite so resentful, but there is little doubt this feature is prejudicial to success of the Government's program. Only the State Department appears to have taken internal administrative action to solve the problem. There the award committees are advised to make awards in amounts gross before tax so that the net amount after withholding will reflect the "real" amount the committee felt the recipient deserved.

(6) Even though our present Military Establishment contains a large proportion of Reserve Corps and drafted personnel recently recalled from civilian life whose fresh viewpoint should be conducive to many economy-making ideas, military personnel are ineligible for any type incentive award, either monetary or honorary, under existing legislation. As noted, Public Law 600 applies only to "civilian officers and employees" whereas title X and title VII are designed only for Classification Act workers. Some defense components have attempted to tap this fruitful source of ideas by informal recognition

<sup>35</sup> Department of the Navy.

<sup>36</sup> National Industrial Conference Board, Inc.: *Employee Suggestion Systems*, Studies in Personnel Policy No. 43, National Industrial Conference Board, Inc., 247 Park Avenue, New York, 1942.

<sup>37</sup> Sec. 22 (a), Internal Revenue Code, is interpreted in sec. 29.22 (a)-2 of Regulation 111.

procedures such as letters of commendation and special contests with token awards being granted military personnel out of nonappropriated funds. Preliminary indications are that suggestions from military personnel in Department of the Army under this informal program will exceed 4,000 for the last calendar year (as against 28,000 estimated as received from civilians).

(7) There is no attempt to create any form of interagency rivalry in the awards program. Comparative statistics on agency programs receive little publicity and hence are of little concern to the agencies. No Government-wide competition is held to determine, for example, the Government's "Suggester of the Year" or to select that agency with the best, or most improved awards program.

(8) Legislators during appropriation hearings at the Capitol seldom interrogate a Department head on the operation of his incentive awards program. This could be an important means of encouraging such heads to take more than latent interest in his department's program.

(9) In almost all agencies there exists a strong resistance to the awards program on the part of office, branch, or higher supervisors, which tends to discourage employees from actively participating in the program. Supervisors often resent suggestions from employees regarding methods of increasing efficiency in the operations of the office since the supervisor fears it will be considered a reflection on his own capabilities. Some agencies attempt to break down this supervisory resistance by drawing the supervisor more closely into the awards program by directing that all suggestions, for example, go through the supervisor and not into a suggestion box. Industry is faced with the same problem and is still divided as to what is its best solution.<sup>38</sup>

#### *What Staff Unit Should Direct Program?*

Operating personnel interviewed unanimously recommended that the present top-level dichotomy of program direction should be abolished immediately. It was considered a major impediment to a coordinated, successful awards plan. There is no question but that one staff agency should assume full responsibility for actively directing and promoting the entire Government-wide program. The ideal situation, following the pattern found most successful in industry, would be to have such directive office located in the immediate office of the Chief Executive. Since this is impossible under our present governmental organization, either the Bureau of the Budget or the Commission must become, by elimination, the logical choice. However, the subcommittee found great lack of unanimity as to which of the staff agencies should assume the responsibility.

Mr. Frederick Lawton, Director of the Budget, stated to subcommittee staff members that it belonged in the Commission since he believed the awards program had more personnel than management aspects. Moreover, as noted before, he considered it the function of the Bureau to be a "critic" and not a "promotor" of programs in the agencies. Nor did he feel it wise to have the Budget get too closely into such an operational program as that of incentive awards. On the other hand, responsible officials in the Commission stated they felt it

<sup>38</sup> Seinerwerth, op. cit., p. 145.

belonged in the Budget Bureau which, "anyway, already had two-thirds of the program."

This raised the whole problem as to who more logically should run an awards program: a management office such as the Budget Bureau, or a personnel office such as the Commission? Personnel offices in the various departments felt that if the Bureau of the Budget took over the entire program, too much emphasis would be placed on actual savings to the extent of destroying the plan's valuable personnel aspects. They believed this would destroy the program's great value for promoting such definite but incalculable benefits to the Government as increased office morale, better service to the taxpayer, a more alert working force, and safer working conditions, none of which normally can be translated into actual dollar-and-cents savings. Departmental management units felt that to have the Commission handle awards would prevent their proper use as a vital management improvement weapon.

It is the subcommittee's feeling, however, that the Civil Service Commission should be made to assume full responsibility for the program. And this should be clearly spelled out to mean most active promotion as opposed to mere monitoring. Although the Commission's record in the field of incentive awards admittedly has been far from commendatory in the past, the subcommittee feels that this is the staff agency in which the program functionally belongs. The subcommittee also bases its recommendation on the practical fact that in the great majority of field installations of Government agencies, it is the personnel office which is most primarily concerned with implementing the awards program. To guarantee that high Commission officials are providing the necessary active support, an Incentive Awards Unit should be established within the Civil Service Commission, the head of which unit should report directly to the Executive Director of the Civil Service Commission.

If the Civil Service Commission proves unwilling to accept the program, consideration might be given to divesting both that staff agency as well as the Budget Bureau of present responsibilities they have under the program. In that case, perhaps a small Incentive Awards Committee composed of both management and personnel representatives and headed by an aggressive awards expert could then be set up in the immediate office of the President and report directly to his executive assistant. The Committee should be completely independent of either staff agency. This would be the safest assurance of adequate high-level promotion so essential to vitalizing the Government's program.

Satisfactory machinery for administering the awards program at agency level already exists in the form of the various efficiency awards committees which provide for both personnel and management representatives as well as operating personnel. Such machinery could even be improved by expanding it to provide also for employee representation.

#### CONCLUSIONS

Based on all the foregoing considerations, the subcommittee concludes that:

(a) Past experience both in industry and Government shows that an incentive awards program can not only effect substantial money

savings for the Government but also assure better utilization of Federal manpower, greater employee participation in management improvement, more efficiency in governmental operations, and, above all, improved employee morale.

(b) Full effectuation of such a Federal program in the past has been hindered by a variety of factors, most prominent of which has been a lack of forceful top staff promotion and legislative complexities which have made the program too complicated to be administered properly.

(c) A single top-staff agency should be given full responsibility for promoting (as opposed to merely monitoring) the Government-wide incentive awards plan.

(d) It is essential that all diverse legislation on this subject be reconciled in one piece of legislation to aid in eliminating present overlapping provisions.

#### RECOMMENDATIONS

In view of the above, the subcommittee recommends—

(a) That the Civil Service Commission be directed to assume full responsibility for actively promoting the entire Government incentive awards program.

(b) That the Commission assure the program's increased utilization as a powerful method of effecting improvements in Government operations, inducing greater employee participation in management improvement, as well as bettering employee morale.

(c) That Congress, to assure that the Civil Service Commission can adequately meet its program responsibilities, must appropriate enough funds to guarantee a sufficient awards staff within the Commission.

(d) That Congress enact in its main essentials the consolidated awards legislation submitted with this report (S. 3492).

#### SUGGESTED LEGISLATION

This suggested legislation has been considerably modified by the subcommittee but derives many of its basic ideas from similar legislative recommendations recently drawn up by the Bureau of the Budget. In general this legislation retains the best features of the present Public Law 600 employee suggestion scheme and title X efficiency awards but leaves discretionary any retention of the title VII step-increase for superior accomplishment. It authorizes department heads to grant monetary or honor awards to employees whose suggestions, inventions, or personal efforts contribute to improvements or economies in Government operations. Gone is the "normal requirements" criterion. The proposed legislation retains group awards and includes supervisors in the program. In detail, this suggested legislation—

1. Puts direction of the Government's incentive awards program in the Civil Service Commission.

2. Consolidates or repeals all current incentive awards legislation and places it in one separate act.

3. Directs that the Civil Service Commission establish an Incentive Awards Unit the head of which shall report directly to the Executive Director of the Commission.

4. Eliminates the \$25,000 annual limit on total awards an agency can make.
5. Eliminates the \$1,000 limit on individual awards.
6. Leaves it up to the discretion of the Civil Service Commission in its implementation of this act whether salary increases as a form of award shall be eliminated in favor of cash awards only.
7. Allows but does not direct extension of the awards program to military personnel at discretion of the Secretary of Defense.
8. Authorizes awards to groups and supervisors.
9. Extends coverage of the entire program to such agencies now not completely included as the Tennessee Valley Authority and the Atomic Energy Commission.
10. Brings so-called blue-collar workers and field postal employees within the awards program.

### LEGISLATIVE PROPOSAL

[S. 3492, 82d Cong., 2d sess.]

A BILL To establish in the Civil Service Commission an Incentive Awards Unit, to repeal certain Acts, and for other purposes

Whereas to reemphasize the Senate's interest in an effective Government-wide Incentive Awards Program, to assure the latter's use in furtherance of economies and improvements in Governmental operations, to furnish monetary awards to employees and office units contributing to such improvements and economies, and to consolidate existing laws on this subject: Therefore

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That as used in this Act, the term "department" means an executive department or independent agency in the executive branch of the Government, and shall also include (1) the Administrative Office of the United States Court, (2) the Library of Congress, (3) the Botanic Garden, (4) the Government Printing Office, (5) the Office of the Architect of the Capitol, and (6) the municipal government of the District of Columbia.

SEC. 2. (a) The head of each department is authorized, under such rules and regulations as the Civil Service Commission may prescribe, to grant monetary awards to civilian officers and employees of the Government (or to the estates of deceased officers and employees), and to incur necessary expenses for the honorary recognition of officers and employees, who by their suggestions, inventions, superior accomplishments or other personal efforts contribute to the efficiency, economy, or other improvement of Government operations or who perform special acts or services in the public interest.

(b) To assure adequate promotion of the Government Incentive Awards Program there is hereby established in the Civil Service Commission an Incentive Awards Unit, the head of which shall report directly to the Executive Director, United States Civil Service Commission.

(c) A cash award under this Act shall be in addition to the regular compensation of the recipient and the acceptance of such cash award shall constitute an agreement that the use by the United States of any idea, method or device for which the award is made shall not form the basis of a further claim of any nature against the United States by the officer or employee, his heirs or assigns.

(d) Awards to officers and employees and expenses for the honorary recognition of officers and employees may be paid from the funds appropriated or otherwise available for carrying out the activity primarily benefiting or from the funds appropriated or otherwise available for carrying out the various activities benefiting as the head of the department may determine.

(e) An award under this Act shall be given due weight in qualifying and selecting employees for promotion to positions in higher grades.

(f) Notwithstanding any other provision of this Act, to the extent the Secretary of Defense deems feasible, the provisions of this section shall be applicable to members of the Armed Forces.

SEC. 3. The following laws and parts of laws are hereby repealed:

(1) Sections 702, 1002, and 1003 of the Classification Act of 1949 (63 Stat. 954; 5 U. S. C. 1122, 1152, 1153).

(2) Section 14 of the Act entitled "An Act to authorize certain administrative expenses in the Government service, and for other purposes", approved August 2, 1946 (60 Stat. 809; 5 U. S. C. 116a).

(3) The Act entitled "An Act authorizing payments of rewards to postal employees for inventions", approved December 3, 1945 (59 Stat. 591; 39 U. S. C. 813).

(4) The Act entitled "An Act authorizing the Secretary of War to pay a cash award for suggestions submitted by employees of certain establishments of the Ordnance Department for improvement or economy in manufacturing process or plant", approved July 17, 1912 (37 Stat. 193; 50 U. S. C. 58).

(5) The Act entitled "An Act to provide equitable compensation for useful suggestions or inventions by personnel of the Department of the Interior", approved June 26, 1944 (58 Stat. 360; 5 U. S. C. 500).

(6) Subsections (a) and (b) of Section 35 of the Act entitled "An Act to enact certain provisions now included in the Naval Appropriation Act, 1946, and for other purposes", approved August 2, 1946 (60 Stat. 857; 5 U. S. C. 416).

SEC. 4. This Act shall take effect on the ninetieth day after the date of its approval.

## APPENDIX

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### APPENDIX 1

PUBLIC LAW 429—81ST CONGRESS

CHAPTER 782—1ST SESSION

TITLE VII—STEP INCREASES

SEC. 702. (a) Within the limit of available appropriations and in accordance with standards promulgated by the Commission, each department is authorized, subject to prior approval by the Commission (except as provided in subsection (b)), to make additional step-increases as a reward for superior accomplishment, but no officer or employee shall be eligible for more than one such additional step-increase within each of the time periods specified in section 701 (a).

(b) The Commission is authorized to delegate to any department the authority to make the additional step-increases provided for in this section, without prior approval in individual cases by the Commission. The Commission may withdraw or suspend such authority whenever review of such actions by the Commission indicates that standards promulgated by the Commission have not been observed, and may restore such authority whenever it is satisfied that subsequent actions will be taken in conformance with such standards.

(c) Each department shall report to the Commission all actions taken under this section, together with the reasons therefor. The Commission shall submit an annual report to Congress covering the numbers and types of actions taken under this section.

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### APPENDIX 2

PUBLIC LAW 429—81ST CONGRESS

CHAPTER 782—1ST SESSION

TITLE X.—MANAGEMENT IMPROVEMENT PLAN AND AWARDS

SEC. 1001. (a) In accordance with regulations issued and administered by the Director of the Bureau of Budget, each department shall make systematic reviews of the operations of each of its activities, functions, or organization units, on a continuing basis.

(b) The purposes of such reviews shall include, among other things, (1) determining the degree of efficiency and economy in the operation of the department's activities, functions, or organization units; (2) identifying the units that are outstanding in those respects; and (3) identifying the supervisors and employees whose personal efforts have caused their units to be outstanding in efficiency and economy of operations.

SEC. 1002. (a) In each department there shall be established an Efficiency Awards Committee, the membership of which shall be designated by the head of the department.

(b) It shall be the duty of the Efficiency Awards Committee (1) to identify those supervisors and employees within the department whose superior accomplishments have contributed to outstanding efficiency and economy in administration, and (2) to award to such supervisors and employees, subject to the approval of the head of the department and to the limitations of subsection (c), cash awards or increases in rates of basic compensation which, in the judgment of the Committee are commensurate with their demonstrated superior accomplishments: *Provided, however,* That the total amount of such awards or increases to any group of supervisors and employees shall not exceed 25 per centum of the estimated saving to the Government due to their superior accomplishments.

(c) Any such cash award or any such increase in rate of basic compensation shall not exceed an amount equal to three times the step-increase of the applicable grade. Any such increase in rate of basic compensation shall be at one, two, or three times the step-increase of the applicable grade and shall be in lieu of any additional compensation as a reward for superior accomplishment under section 702.

(d) An award under this title shall be given due weight in qualifying and selecting employees for promotion to positions in higher grades.

Sec. 1003. The Bureau of the Budget shall maintain control of the program set forth in this title and shall annually report the results of such program to Congress, with such recommendations as it may deem advisable.

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### APPENDIX 3

PUBLIC LAW 600

August 2, 1946

SEVENTY-NINTH CONGRESS, 2D SESSION

SEC. 14. The head of each department is authorized, under such rules and regulations as the President may prescribe, to pay cash awards to civilian officers and employees (or to their estates) who make meritorious suggestions which will result in improvement or economy in the operations of his department and which have been adopted for use and to incur necessary expenses for the honorary recognition of exceptional or meritorious service: *Provided*, That no award shall be paid to any officer or employee for any suggestion which represents a part of the normal requirements of the duties of his position. With the exception of the War and Navy Departments, the amount of any one award shall not exceed \$1,000 and the total of cash awards paid during any fiscal year in any department shall not exceed \$25,000. Payments may be made from the appropriation for the activity primarily benefiting or may be distributed among appropriations for activities benefiting as the head of the department determines. A cash award shall be in addition to the regular compensation of the recipient and the acceptance of such cash award shall constitute an agreement that the use by the United States of the suggestion for which the award is made shall not form the basis of a further claim of any nature upon the United States by him, his heirs or assigns.

All other Acts or parts of Acts in conflict with the provisions of this section are hereby repealed.

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### APPENDIX 4

EXECUTIVE ORDER 9817

#### REGULATIONS GOVERNING AWARDS TO FEDERAL EMPLOYEES FOR MERITORIOUS SUGGESTIONS AND FOR EXCEPTIONAL OR MERITORIOUS SERVICE

By virtue of and pursuant to the authority vested in me by section 14 of the act of August 2, 1946 (Public Law 600, 79th Congress), I hereby prescribe the following rules and regulations governing the payment of awards for meritorious suggestions of civilian officers and employees and for the incurring of expenses for honorary recognition of exceptional or meritorious service:

Section 1. Any civilian officer or employee of a department (as the word "department" is defined in section 18 of the said act of August 2, 1946) who makes a suggestion, in such form and manner as his department shall require, which is adopted for use in the department on or after August 2, 1946, and, in the judgment of the department head or other duly authorized authority in the department, has resulted or will result in improvement or economy in the operations of the department by way of monetary savings, increased efficiency, conservation of property, improved employee-working conditions, better service to the public, or otherwise, shall be eligible for consideration for a cash award. A former civilian officer or employee (or his estate) shall be similarly eligible for awards for such suggestions made while in the service of the department.

Section 2. Whenever a suggestion is determined to be meritorious and is adopted solely or primarily because it will result or has resulted in the saving of money, the amount of the award shall be based on the amount of the annual estimated saving in the first year of operation in accordance with the following table, unless

for special reasons the head of the department shall determine, subject to the limitations prescribed in the said act, that a different amount is justified:

<i>Savings</i>	<i>Awards</i>
\$1-\$1,000-----	\$10 for each \$200 of savings with a minimum of \$10 for any adopted suggestion.
\$1,000-\$10,000-----	\$50 for the first \$1,000 of savings, and \$25 for each additional \$1,000 of savings.
\$10,000-\$100,000-----	\$275 for the first \$10,000 of savings, and \$50 for each additional \$10,000 of savings.
\$100,000 or more-----	\$725 for the first \$100,000 of savings, and \$100 for each additional \$100,000 of savings; provided that (with the exception of the War and Navy Departments) the maximum award for any one suggestion shall not exceed \$1,000.

Section 3. When a suggestion is adopted primarily upon the basis of improvement in the operations or services of the department, the department shall determine the amount of the award commensurate with the benefits anticipated from the suggestion. Whenever the head of a department believes that a suggestion he has adopted would benefit the Government service generally, he may report it to the Director of the Bureau of the Budget for dissemination to all departments.

Section 4. At the end of each fiscal year each department shall report to the Director of the Bureau of the Budget the number of employee suggestions submitted, the number of such suggestions adopted, the total amount of cash awards, and the total amount of estimated annual savings.

Section 5. A department may provide for the purchase and award of appropriate certificates, medals, or other emblems, in honorary recognition of service which is determined by the head of the department to be exceptional or meritorious.

Section 6. No award shall be paid for any suggestion which is not adopted for use within five years from the date the suggestion is received by the department. Any department may, in its discretion, change the designated period of five years to a less period of time.

Section 7. No award shall be paid to any officer or employee for any suggestion which represents a part of the normal requirements of the duties of his position.

Section 8. The total of cash awards paid during any fiscal year in any department (except the War and Navy Departments) shall not exceed \$25,000. Cash awards and expenses for honorary recognition for exceptional or meritorious service may be paid from the appropriation for the activity primarily benefiting or may be distributed among appropriations for activities benefiting as the head of the department determines.

Section 9. A cash award shall be in addition to the regular compensation of the recipient, and the acceptance of such cash award shall constitute an agreement that the use by the United States of the suggestion for which the award is made shall not form the basis of a further claim of any nature upon the United States by him, his heirs, or assigns.

Section 10. This order shall be effective as of August 2, 1946, and shall be published in the Federal Register.

HARRY S. TRUMAN.

THE WHITE HOUSE, December 31, 1946.

## APPENDIX 5

### FEDERAL PERSONNEL MANUAL, RULES AND REGULATIONS

#### PART 25—FEDERAL EMPLOYEES PAY REGULATIONS, PP. Z1-315-316-T. S. 317

SEC. 25.15 *Standards for superior accomplishment.*—In order to serve as the basis for the award of an additional step-increase, the accomplishment of an employee must meet one of the following tests:

(a) Outstanding performance with all aspects of performance not only exceeding normal requirements but which are outstanding and deserve special commendation;

(b) Sustained work performance for a period of at least 3 months of such nature that it merits special recognition for superior accomplishment over and above the normal requirements of the employee's position, provided that his current performance rating is not less than "Satisfactory";

(c) Initiation of an idea, method or device, which has been developed and adopted because it is expected to improve the public service or provide for more economical operation in the public interest; or

(d) A special act or service in the public interest, related to official employment, over and above normal position requirements, of an unusual or distinctive character, where its recognition as a basis for an additional advancement would serve as a definite incentive to others.

## APPENDIX 6

EXECUTIVE OFFICE OF THE PRESIDENT,  
BUREAU OF THE BUDGET,  
Washington 25, D. C., February 28, 1950.

### SUPPLEMENT NO. 1, CIRCULAR NO. A-8

Subject: Instructions for the administration of incentive awards.

*To the Heads of Executive Departments and Establishments:*

1. *Purpose.*—Title X of Public Law 429, 81st Congress (the Classification Act of 1949) directs each department and agency to make systematic reviews of its activities on a continuing basis. A major purpose of these reviews is to identify units, supervisors, and employees that are outstanding in efficiency and economy of operation so that they can be given incentive awards. Bureau of the Budget Circular No. A-8, dated January 31, 1950, contains instructions for the conduct of these systematic reviews. This Supplement to Circular No. A-8 contains detailed instructions for the administration of the efficiency awards that are to be paid under Title X.

The efficiency awards authorized by Title X are closely related to existing incentive provisions covering awards for suggestions, salary increases for superior accomplishment, and honor awards. These instructions represent the joint approach of the Bureau of the Budget and the Civil Service Commission to the coordinated administration of these awards programs. The purpose of this Circular is to assure the effective use of presently available awards to encourage employee participation in management.

2. *Coverage.*—Each agency subject to the provisions of Title X of Public Law 429, 81st Congress,<sup>1</sup> is directed by that act to establish a program for granting awards for efficiency. Each agency subject to the provisions of Title VII of that act<sup>1</sup> is authorized to make awards for superior accomplishments. All agencies are authorized to make awards for suggestions and honor awards under the provisions of section 14 of Public Law 600, 79th Congress (the Administrative Expenses Act of 1946). Each agency shall follow the provisions of this Supplement in the administration of such awards programs as it is authorized or directed to carry out by law.

3. *Awards committees.*—Each agency conducting incentive awards programs shall establish an awards committee. In agencies covered by Title X of Public Law 429 this committee shall be called the Efficiency Awards Committee, as required by section 1002 of that act. Each agency may also establish, as necessary, subordinate agency awards committees and committees for bureaus or other field or headquarters units of the agency.

a. *Functions of the committees.*—(1) *Granting of awards.*—The agency awards committee shall, subject to the approval of the agency head and the limitations contained in this Circular, make all awards authorized by section 1002 of Public Law 429. The committee shall also make awards authorized by section 702 of Public Law 429 and by section 14 of Public Law 600 and Executive Order 9817. The committee shall determine which of these types of awards is best suited to give proper recognition and remuneration on each recommendation approved.

<sup>1</sup> See sections 201, 202, and 205 of P. L. 429 for coverage and exemptions.

(2) *Delegation of committee authority.*—Final grants of efficiency awards under Title X of Public Law 429 may be made only by the agency Efficiency Awards Committee. However, with the approval of the agency head, the agency awards committee may delegate to subordinate awards committees authority to (a) review all recommendations for awards coming from organizational units within their jurisdiction, (b) recommend to the agency awards committee the granting of awards under Title X, and (c) grant other types of awards.

(3) *Supervision of awards functions.*—The agency awards committee shall supervise all incentive awards functions in the agency, subject to the approval of the agency head. It shall (a) establish agency standards to supplement government-wide standards as to the nature and amount of awards, for the guidance of all awards committees, supervisors and employees, and (b) assure conformance to the standards for the granting of awards.

(4) *Stimulating participation.*—The awards committee shall plan and recommend to the agency head measures he can take to secure greater employee participation, and shall provide training and informational materials to bring to the attention of supervisors and employees the desire for their participation and their opportunities for awards.

b. *Composition of the committees.*—Members of the committees shall be selected from among the key operating and staff officers of the agency or the organizational unit which the committee serves. The committee should include officials with supervisory responsibility for programs of the agency. In organizations where the work is predominantly technical or scientific in nature, at least one committee member should have such a technical or scientific background. It is suggested that the chairman of each committee be the person assigned special responsibility for the management improvement program in the agency or the organizational unit concerned, or his personally designated representative.

4. *Types of awards and eligibility for them.*—Employee contributions to improved management may be rewarded by the following types of awards:

a. *Cash awards for suggestions.*—Under section 14 of Public Law 600 and Executive Order 9817, a cash award may be granted to any civilian officer or employee for an adopted suggestion outside the normal requirements of the duties of his position. Except in the Department of Defense, the total of all awards given by an agency during one fiscal year shall not exceed \$25,000. If such an award is based on estimated savings resulting from adoption of the suggestion, the amount of the award shall be based on the estimated saving in the first year of operation in accordance with the following table, unless for special reason the head of the department shall determine that a different amount is justified.

<i>Savings</i>	<i>Awards</i>
\$1–\$1,000-----	\$10 for each \$200 of savings with a minimum of \$10 for any adopted suggestion.
\$1,000–\$10,000-----	\$50 for the first \$1,000 of savings, and \$25 for each additional \$1,000 of savings.
\$10,000–\$100,000-----	\$275 for the first \$10,000 of savings, and \$50 for each additional \$10,000 of savings.
\$100,000 or more-----	\$725 for the first \$100,000 of savings, and \$100 for each additional \$100,000 of savings; provided that (except in the Department of Defense) the maximum award for any one suggestion shall be \$1,000.

b. *Cash awards for efficiency.*—A cash award may be granted to an employee covered by Title X of Public Law 429, for savings made in the conduct of his own operations after October 28, 1949, whether such savings are the result of a suggestion or other personal accomplishment. Such an award shall not exceed 25 percent of the estimated savings in the first year of operation, nor an amount equal to 3 times the step increase of the employee's grade.

c. *Salary increases for efficiency.*—A salary increase of 1, 2, or 3 steps may be granted to an employee covered by Title X of Public Law 429, for a suggestion or superior accomplishment in connection with his own work after October 28, 1949, which results in such substantial savings to the Government that limitations on the amount of cash awards would result in inadequate reward. The annual rate of such a salary increase shall not exceed 25 percent of the estimated savings for the first year, nor three salary steps in the individual's grade.

d. *Salary increases for superior accomplishment.*—A salary increase of one step may be granted an employee covered by Title VII of Public Law 429 for (1) sustained work performance of a high degree of efficiency, (2) the initiation and development of a suggestion, over and above the normal requirements of his position, which increases efficiency, or (3) special service of an outstanding nature, whether or not the performance, suggestion, or special service results in substantial economies, in accordance with sections 25.14 through 25.18, chapter Z1, of the Federal Personnel Manual.

e. *Honor awards.*—Under section 14 of Public Law 600 and Executive Order 9817, a certificate, medal, or other emblem may be awarded an employee in honorary recognition of service which is determined to be exceptional or meritorious. Such an award may be made independent of or in connection with any of the above awards.

5. *Shared or group awards.*—One of the intents of the efficiency awards provided by Title X of Public Law 429 is to encourage group effort in securing increased efficiency and economy in Government. Where contribution to the improvement has been made by more than one employee or by a group of employees, all employees contributing, including supervisors, may share efficiency awards, cash awards for suggestions, or honor awards if they are otherwise eligible. Such grants may be in equal shares, or to each employee in proportion to his contribution measured in terms of production records or such other criteria as apply. However, the total amount of such shared or group awards may not exceed the amount authorized for that type of award under section 4 above. Although a one-step salary increase for superior accomplishment may not be shared, there is no limitation on the number of employees who may be granted such awards if each meets the Civil Service Commission standards for them.

Whenever the awards committee considers it appropriate in making awards for efficiency under the provisions of Title X, it may use cash awards of varying amounts or salary steps of 1, 2, or 3 steps in rewarding each employee in a group in proportion to his contribution to the group achievement, subject to the limitations of sections 4-b and 4-c above. However, the total of such cash awards and salary increases shall not exceed 25 percent of the estimated first-year savings to the Government due to their accomplishment.

6. *Criteria for the granting of awards.*—a. *Awards for savings.* Cash awards should generally be used to reward employees for suggestions or performance resulting in savings. Salary increases should be used only when savings are so great that limitations on the amount of cash awards would result in inadequate reward to the employee or employees. For the purpose of granting awards based on estimated savings, savings shall ordinarily be evaluated in terms of demonstrable net dollar economy in the first full year of operation. When substantial non-recurring cost is involved in the installation of a suggestion or improvement which will be useful for a number of years, and if computation of award on the basis of net first-year savings would result in inadequate reward, the award may be made on the basis of estimated average annual net savings over a period of years. Dollar savings may be demonstrated in terms of (1) lower unit cost on the same or smaller measurable production, i. e., lower operating cost, or (2) lower unit cost on increased volume of production, i. e., handling increased measurable volume for the same operating cost. However, such reductions in unit cost shall not be considered savings if they are the result of outside factors such as less complex work items being received, or are the result of or result in less effective operations or poorer quality production or service. In the case of lower unit cost on increased volume of production, the amount of decrease in unit cost must be greater than that which could be normally expected as a result of the increased volume. All savings must be accounted for either by (a) appropriations savings, (b) increased output at the same cost, or (c) application of resources saved to some other necessary activity. Payment of an award for savings may be granted by the committee whenever it is satisfied that the estimated savings will be achieved, except that awards under the provisions of Title X of Public Law 429 may be granted only when experience with the improved operation is sufficient to satisfy the committee that the savings will be achieved.

b. *Awards for improvements not necessarily resulting in savings.*—Cash awards may be made under the provisions of section 14 of Public Law 600 and Executive Order 9817 for adopted suggestions which result in increased efficiency, conser-

vation of property, improved working conditions, better service, or other types of improvements, whether or not an identifiable monetary savings to the Government results. One-step salary increases for superior accomplishment may be given for such suggestions, for efficient work performance, or for other special services of an outstanding nature, as provided by section 702 of Public Law 429, and section 25.15, chapter Z1, of the Federal Personnel Manual. Award committees acting on recommendations for such awards shall determine the amounts of the awards on the basis of demonstrable benefits to the Government resulting from the employees' suggestions or achievements, subject to the limitations as to the amounts of awards specified in paragraph 4 above.

c. *Determination of type of award.*—An award committee may make or recommend the making of any type or amount of award for which the employee's status and his action make him eligible regardless of the type or amount of award recommended to the committee. Through such action, in conformance with standards established by the committee, equity can be maintained in the treatment of all employees and the amounts of awards granted.

d. *Duplicate awards.*—No two employees may be given cash or salary increase awards for the same improvement except in a shared or group award, i. e., one employee should not be granted full award for a suggestion, and another granted a full award for increased efficiency resulting from the suggestion; nor may any employee be given two awards for the same suggestion or achievement, except that whenever the actual first-year saving is sufficiently greater than the estimate of savings on which the original award was based, supplementary awards of the same type may be made, subject to the limitations as to the total amounts of such awards specified in paragraphs 4 and 5 above.

7. *Origin of recommendations for awards.*—Recommendations for awards may originate in the following ways:

a. As a result of the reviews and appraisals required by Bureau of the Budget Circular No. A-8. Whenever these reviews by the line operators, staff units, or independent units identify organizational units or employees whose superior accomplishments have contributed to outstanding efficiency and economy in administration, recommendations for awards shall be made.

b. On recommendation of supervisors whenever performance or suggestions warranting such awards come to their attention. Whenever appropriate, the submission of employee suggestions directly to the supervisor (with a copy being sent to the awards committee) should be encouraged.

8. *Documentation of awards.*—Each award by an awards committee shall fully document the action or accomplishment for which the award is made. When the award proposal is based on savings or estimated savings, the committee shall (1) indicate the method used in determining the savings, and (2) account for the savings as either (a) appropriation savings, (b) increased output at the same cost, or (c) application of resources saved to some other necessary activity. In the case of awards of salary increases based on savings, the committee shall fully record why a cash award would be inequitable. The committee shall maintain records of each award granted, including the basis for determination of the type and amount of award, for inspection by the Bureau of the Budget.

9. *Source of award payments.*—Under law, cash awards for suggestions may be paid either from the appropriation for the activity primarily benefiting or may be distributed among the appropriations for activities benefiting, as the head of the agency determines. The law does not specify the particular appropriations which shall be used for payment of cash awards for efficiency; therefore, the appropriation to be charged must be determined by the agency concerned on the basis of the circumstances of each case. Salary increases for efficiency or for superior accomplishment will be charged against the appropriation used to pay the employee's salary.

If the granting of a cash award or salary increase would necessitate a supplemental appropriation, the award will not be paid pending application through the normal channels for, and granting of, authority to submit a supplemental estimate. In no instance shall the granting of cash awards or salary increases be construed as authority to incur a deficiency in the applicable appropriations.

10. *Annual reports.*—Each agency shall submit an annual report on the operation of its awards program during the preceding fiscal year to the Bureau of the Budget by September 15 of each year. This report shall be in two parts.

Part I of the report shall be a general evaluation of the operation of the incentive awards program in the agency. This shall include a statement of the effectiveness of awards in stimulating improvements, problems of administration encountered adequacy of the system, and any suggestions for improvement of the incentive awards program.

Part II of the report shall summarize the pertinent details of actions taken with respect to each type of award. This information shall be submitted in the form indicated by Attachments A and B. As required by section 702 of Public Law 429 and section 25.17, chapter Z1, of the Federal Personnel Manual, salary increases for superior accomplishment must be reported monthly to the Civil Service Commission.

The above reporting provisions supersede the requirements of Bureau of the Budget Circular No. A-26, "Annual report on employee suggestion systems," dated July 15, 1948. The rescission of Circular No. A-26 has been issued, effective February 28, 1950.

By direction of the President.

FRANK PACE, Jr., Director.

## APPENDIX 7

Number and types of rewards for superior accomplishment by departments and agencies, fiscal year 1951

Department or agency	Total rewards granted	Salary step level						Reasons for rewards for superior accomplishments				Justi- fied	Not justi- fied	Field	Depart- mental	Fiscal year 1951	Fiscal year 1950 (included herein)
		\$70	\$80	\$100	\$125	\$200	\$250	A <sup>1</sup> Outstand- ing per- formance	B Sustained work per- formance	C Initiation of an idea, method or device	D Special act or service in the public interest						
1. Agriculture Department.....	114	-----	21	-----	60	33	-----	-----	70	21	23	114	-----	103	11	86	28
2. Civil Service Commission.....	11	-----	9	-----	2	-----	-----	-----	11	-----	-----	11	-----	10	1	11	-----
3. Commerce Department.....	30	-----	4	-----	8	17	1	-----	21	4	5	30	-----	6	24	30	-----
4. Department of Defense:																	
Air Force.....	64	-----	18	-----	32	14	-----	-----	46	5	13	62	2	63	1	64	-----
Army.....	82	-----	28	-----	36	18	-----	-----	55	-----	27	81	1	77	5	81	1
Navy.....	96	1	20	-----	44	31	-----	-----	60	-----	36	96	-----	69	27	95	1
Secretary of Defense (Office of)	1	-----	-----	-----	1	-----	-----	-----	1	-----	-----	1	-----	1	-----	1	-----
5. Federal Housing Administration.....	40	-----	6	-----	16	17	1	-----	22	5	13	40	-----	22	18	40	-----
6. Federal Security Agency.....	69	-----	33	1	28	7	-----	-----	42	-----	27	69	-----	46	23	61	8
7. General Services Administration.....	9	-----	3	2	2	2	-----	-----	6	2	1	9	-----	1	8	-----	9
8. Housing and Home Finance Agency.....	6	-----	1	-----	1	4	-----	-----	3	1	2	6	-----	1	5	5	1
9. Interior Department.....	85	-----	13	-----	36	35	1	-----	56	5	24	85	-----	70	15	79	6
10. Justice Department.....	108	-----	29	-----	52	27	-----	-----	68	6	34	108	-----	65	43	97	11
11. Labor Department.....	9	-----	-----	-----	5	4	-----	-----	5	2	2	9	-----	5	4	9	-----
12. Library of Congress.....	8	-----	1	-----	4	3	-----	-----	5	-----	3	8	-----	-----	8	8	-----
13. National Advisory Committee for Aeronautics.....	3	-----	1	-----	-----	1	1	-----	3	-----	-----	3	-----	3	-----	3	-----
14. National Labor Relations Board.....	1	-----	-----	-----	-----	1	-----	-----	-----	-----	1	1	-----	1	-----	1	-----
15. Post Office Department (pre- audit).....	4	-----	-----	-----	4	-----	-----	-----	2	-----	2	4	-----	-----	4	4	-----
16. Railroad Retirement Board.....	4	-----	1	-----	3	-----	-----	-----	3	-----	1	4	-----	2	2	4	-----
17. Securities and Exchange Com- mission.....	6	-----	1	-----	-----	1	3	-----	5	-----	1	6	-----	-----	6	6	-----
18. Smithsonian Institution.....	1	-----	-----	-----	1	-----	-----	-----	-----	-----	1	1	-----	-----	1	1	-----
19. State Department.....	41	-----	7	-----	28	6	-----	-----	29	2	10	39	2	3	38	40	1
20. Treasury Department.....	10	-----	6	-----	3	1	-----	-----	6	-----	4	10	-----	8	2	10	-----
21. Veterans' Administration.....	226	3	129	7	67	20	-----	-----	178	15	33	223	3	219	7	219	7
Total.....	1,028	4	331	10	434	242	7	-----	697	68	263	1,020	8	775	253	955	73

<sup>1</sup> New standard—approved Dec. 29, 1950.

# APPENDIX 8

*Efficiency awards (title X), fiscal years 1950-51*

Agency	Salary awards			Cash awards			Total awards			Percent of savings paid in awards
	Number of salary awards	Amount of salary awards	Estimated savings obtained	Number of cash awards	Amount of cash awards	Estimated savings obtained	Total number of awards	Total amount of awards	Total savings obtained	
Agriculture Department.....	0	0	0	20	\$2,350	\$48,116	20	\$2,350	\$48,116	4.9
Central Intelligence Agency.....	0	0	0	11 (8)	317	2,114	11 (8)	317	2,114	15.0
Civil Service Commission.....	0	0	0	15 (9)	270	5,427	15 (9)	270	5,427	5.0
Federal Security Agency.....	0	0	0	3	550	3,000	3	550	3,000	18.3
Federal Trade Commission.....	2	\$400	\$45,000	0	0	0	2	400	45,000	.9
Interior Department.....	1	600	63,476	12 (3)	1,800	340,000	13 (4)	2,400	403,476	.6
Labor Department.....	0	0	0	2	190	2,000	2	190	2,000	9.5
National Labor Relations Board.....	0	0	0	2	300	3,345	2	300	3,345	9.0
Smithsonian Institution.....	0	0	0	1	300	1,900	1	300	1,900	15.8
Treasury Department.....	0	0	0	22 (55)	1,600	158,970	22 (55)	1,600	158,970	1.0
Veterans' Administration.....	0	0	0	13 (49)	2,705	225,663	13 (49)	2,705	225,663	1.2
Total.....	3	1,000	108,476	141 (152)	10,382	790,535	144 (155)	11,382	899,011	1.3

<sup>1</sup> Number of individuals receiving awards.

<sup>2</sup> 1 award of \$1,500 to a group of 54 employees, by Treasury Department, was the only award under title X during the fiscal year 1950.

## APPENDIX 9

## Agency employee suggestion system results fiscal years 1950-51

	Number of employees covered <sup>1</sup>		Number of suggestions received		Number of suggestions adopted <sup>2</sup>		Number of cash awards for suggestions		Amount of cash awards for suggestions		Estimated first year savings from suggestions		Number of suggestions per 1,000 employees		Percent of suggestions adopted	
	1950	1951	1950	1951	1950	1951	1950	1951	1950	1951	1950	1951	1950	1951	1950	1951
Agriculture Department.....	80,414	78,183	2,687	2,576	728	716	161	269	\$7,090	\$10,665	\$222,090	\$301,510	33.4	32.9	27.1	27.8
Bureau of the Budget.....	515	517	3	1	2	0	2	0	43	0	865	0	5.8	1.9	66.7	0
Central Intelligence Agency.....	( <sup>4</sup> )	( <sup>4</sup> )	32	15	2	2	1	2	64	74	1,572	1,492			6.3	13.3
Civil Aeronautics Board.....	651	578	0	5	0	0	0	0	0	0	0	0	0	8.7		0
Civil Service Commission.....	3,710	3,860	240	209	65	67	20	39	573	1,068	13,837	30,105	64.7	54.1	27.1	32.1
Commerce Department.....	57,271	61,325	2,436	2,566	147	255	132	223	3,223	6,285	268,517	97,143	42.5	41.8	6.1	9.9
Defense Department.....	(796,217)	(992,351)	(64,899)	(86,630)	(18,902)	(20,330)	(11,441)	(17,445)	(502,758)	(584,821)	(19,058,327)	(20,721,126)	(81.5)	(87.3)	(29.1)	(23.5)
Office Secretary of Defense.....	( <sup>4</sup> )	1,958	( <sup>4</sup> )	83	( <sup>4</sup> )	3	( <sup>4</sup> )	3	( <sup>4</sup> )	45	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	42.4	( <sup>4</sup> )	3.6
Air Force.....	156,851	200,513	13,345	14,687	3,366	3,508	3,366	3,324	131,647	130,577	5,336,459	8,303,360	85.1	73.2	25.2	23.9
Army.....	329,974	419,529	18,970	19,870	3,928	3,673	3,928	3,673	104,185	107,371	7,155,452	4,003,584	75.5	47.4	20.7	18.5
Navy.....	309,392	370,351	32,584	51,990	11,608	13,146	10,161	12,442	266,926	346,828	6,586,416	8,414,182	105.3	140.4	35.6	25.3
Economic Cooperation Administration.....	( <sup>4</sup> )	5,099	( <sup>4</sup> )	5	( <sup>4</sup> )	2	( <sup>4</sup> )	2	( <sup>4</sup> )	0	( <sup>4</sup> )	0	( <sup>4</sup> )	1.0	( <sup>4</sup> )	40.0
Export-Import Bank.....	127	130	0	0	0	0	0	0	0	0	0	0	0	0		
Federal Communications Commission.....	1,318	1,241	9	15	3	3	3	3	85	85	867	738	6.8	12.1	33.3	20.0
Federal Mediation and Conciliation Service.....	347	346	0	0	0	0	0	0	0	0	0	0	0	0		
Federal Power Commission.....	760	738	9	8	1	2	1	1	35	225	700	8,000	11.8	10.8	11.1	25.0
Federal Security Agency.....	34,752	34,855	1,745	1,432	197	210	95	210	3,165	6,325	79,013	97,217	50.2	41.1	11.3	14.7
Federal Trade Commission.....	( <sup>4</sup> )	675	( <sup>4</sup> )	24	( <sup>4</sup> )	2	( <sup>4</sup> )	2	( <sup>4</sup> )	215	( <sup>4</sup> )	5,130	( <sup>4</sup> )	35.6	( <sup>4</sup> )	8.3
General Accounting Office.....	8,437	7,255	155	152	16	19	16	19	1,090	1,265	67,741	7,682	18.4	21.0	10.3	12.5
General Services Administration.....	22,335	26,369	115	49	8	17	8	0	170	0	5,130	0	5.1	1.9	7.0	34.7
Government Printing Office.....	7,041	7,230	173	244	63	32	12	6	360	150	9,768	3,365	24.6	31.0	36.4	14.3
Housing and Home Finance Agency.....	12,330	13,711	267	421	8	17	5	14	40	1,435	365	19,561	21.7	30.7	3.0	4.0
Interior Department.....	59,252	62,869	1,110	926	148	119	125	111	5,555	6,290	129,352	235,560	18.7	14.7	13.3	12.9
Interstate Commerce Commission.....	2,149	2,113	13	5	0	3	0	3	0	370	0	23,415	6.0	2.4	0	60.0
Justice Department.....	26,180	23,507	827	380	265	60	11	7	675	360	22,002	10,369	31.6	13.3	32.0	15.8
Labor Department.....	5,007	6,734	125	4	12	4	10	230	330	0			14.4	18.6	5.6	9.6
National Gallery of Art.....	322	10	8	4	1	2	0	20	0	0	0	0	31.1	24.8	40.0	12.5
National Labor Relations Board.....	( <sup>4</sup> )	1,515	( <sup>4</sup> )	124	( <sup>4</sup> )	7	( <sup>4</sup> )	3	( <sup>4</sup> )	120	( <sup>4</sup> )	3,090	( <sup>4</sup> )	81.8	( <sup>4</sup> )	5.6
Panama Canal and Railroad.....	20,974	20,074	69	51	9	9	4	7	100	330	1,350	18,412	3.3	2.5	13.0	17.6
Post Office Department.....	518,196	499,309	2,017	1,371	71	125	6	34	610	930	16,235	18,000	3.9	2.7	3.5	9.1
Railroad Retirement Board.....	( <sup>4</sup> )	2,170	( <sup>4</sup> )	169	( <sup>4</sup> )	15	( <sup>4</sup> )	15	( <sup>4</sup> )	205	( <sup>4</sup> )	1,444	( <sup>4</sup> )	77.9	( <sup>4</sup> )	8.9

Securities and Exchange Commission.....	1,056	1,026	29	20	5	5	2	5	110	60	3,037	27.5	19.5	17.2	25.0
Selective Service Commission.....	(4)	6,449	(4)	0	(4)	0	(4)	0	(4)	0	(4)	0	0	(4)	-----
Smithsonian Institution.....	552	589	7	1	0	0	0	0	0	0	0	12.7	1.7	0	0
State Department.....	23,157	26,444	1,352	1,358	83	110	83	110	2,692	2,773	42,872	23,041	58.4	51.4	8.1
International Boundary and Water Commission.....	-----	-----	5	5	1	1	1	1	10	10	114	0	-----	20.0	20.0
Tax Court of the United States.....	126	127	0	0	0	0	0	0	0	0	0	0	0	0	-----
Tennessee Valley Authority.....	13,352	16,005	606	598	417	438	(4)	(5)	(4)	(5)	-----	45.5	37.4	68.8	73.2
Treasury Department.....	88,573	89,872	3,372	2,243	915	513	960	459	20,160	13,095	252,698	341,501	38.1	25.0	27.1
Veterans' Administration.....	193,138	186,227	5,323	4,564	1,095	943	864	864	24,997	20,470	456,538	242,982	27.6	27.5	20.6
Total.....	1,978,229	2,184,815	87,582	103,280	23,159	24,035	19,973	21,861	573,865	657,866	20,652,990	22,210,883	44.3	48.6	26.4
															22.6

<sup>1</sup> Average is average of July 1, Dec. 31, and June 30 employment for the fiscal year.

<sup>2</sup> Does not include those suggestions pending adoption or rejection at end of fiscal year.

<sup>3</sup> Withheld.

<sup>4</sup> Suggestion system not in operation during fiscal year 1950.

<sup>5</sup> Does not give cash awards for suggestions.

## APPENDIX 10

EXTRACT FROM VETERANS' ADMINISTRATION MANUAL MDC-6<sup>1</sup>TABLE A.—Scale of awards for savings<sup>2</sup>

Estimated first year savings	Employee suggestion award	Efficiency awards						
		Class I (\$60)	Class II (\$70)	Class III (\$80)	Class IV (\$100)	Class V (\$125)	Class VI (\$200)	Class VII (\$250)
\$1-\$200	\$10							
\$201-\$399	15	\$15	\$15	\$15	\$15	\$15	\$15	\$15
\$400-\$499	20	20	20	20	20	20	20	20
\$500-\$599	25	25	25	25	25	25	25	25
\$600-\$699	30	30	30	30	30	30	30	30
\$700-\$799	35	35	35	35	35	35	35	35
\$800-\$899	40	40	40	40	40	40	40	40
\$900-\$999	45	45	45	45	45	45	45	45
\$1,000-\$1,999	50	50	50	50	50	50	50	50
\$2,000-\$2,999	75	75	75	75	75	75	75	75
\$3,000-\$3,999	100	100	100	100	100	100	100	100
\$4,000-\$4,999	125	125	125	125	125	125	125	125
\$5,000-\$5,999	150	150	150	150	150	150	150	150
\$6,000-\$6,999	175	175	175	175	175	175	175	175
\$7,000-\$7,999	200	(3)	200	200	200	200	200	200
\$8,000-\$8,999	225	(3)	(3)	225	225	225	225	225
\$9,000-\$9,999	250	(3)	(3)	(3)	250	250	250	250
\$10,000-\$14,999	275	(3)	(3)	(3)	275	275	275	275
\$15,000-\$19,999	300	(3)	(3)	(3)	300	300	300	300
\$20,000-\$24,999	325	(3)	(3)	(3)	(3)	325	325	325
\$25,000-\$29,999	350	(3)	(3)	(3)	(3)	350	350	350
\$30,000-\$34,999	375	(3)	(3)	(3)	(3)	375	375	375
\$35,000-\$39,999	400	(3)	(3)	(3)	(3)	(3)	400	400
\$40,000-\$44,999	425	(3)	(3)	(3)	(3)	(3)	425	425
\$45,000-\$49,999	450	(3)	(3)	(3)	(3)	(3)	450	450
\$50,000-\$54,999	475	(3)	(3)	(3)	(3)	(3)	475	475
\$55,000-\$59,999	500	(3)	(3)	(3)	(3)	(3)	500	500
\$60,000-\$64,999	525	(3)	(3)	(3)	(3)	(3)	525	525
\$65,000-\$69,999	550	(3)	(3)	(3)	(3)	(3)	550	550
\$70,000-\$74,999	575	(3)	(3)	(3)	(3)	(3)	575	575
\$75,000-\$79,999	600	(3)	(3)	(3)	(3)	(3)	600	600
\$80,000-\$84,999	625	(3)	(3)	(3)	(3)	(3)	(3)	625
\$85,000-\$89,999	650	(3)	(3)	(3)	(3)	(3)	(3)	650
\$90,000-\$94,999	675	(3)	(3)	(3)	(3)	(3)	(3)	675
\$95,000-\$99,999	700	(3)	(3)	(3)	(3)	(3)	(3)	700
\$100,000-\$149,999	725	(3)	(3)	(3)	(3)	(3)	(3)	725
\$150,000-\$199,999	775	(3)	(3)	(3)	(3)	(3)	(3)	(3)
\$200,000-\$249,999	825	(3)	(3)	(3)	(3)	(3)	(3)	(3)
\$250,000-\$299,999	875	(3)	(3)	(3)	(3)	(3)	(3)	(3)
\$300,000-\$349,999	925	(3)	(3)	(3)	(3)	(3)	(3)	(3)
\$350,000-\$374,999	975	(3)	(3)	(3)	(3)	(3)	(3)	(3)
\$375,000 and over	1,000	(3)	(3)	(3)	(3)	(3)	(3)	(3)

<sup>1</sup> Veterans' Administration: Incentive awards program, Washington (Nov. 30, 1950, p. 14).<sup>2</sup> Superior accomplishments based on savings: Superior accomplishments under title VII, Public Law 429, which are measurable in terms of monetary savings will be considered either for a suggestion award or an efficiency award, as appropriate.<sup>3</sup> 2-step increase.<sup>4</sup> 3-step increase.

NOTE.—Class I—step increase, \$60 (CPC-1); Class II—step increase, \$70 (CPC-2); class III—step increase, \$80 (GS-1 through 4 and CPC-3 through 6); class IV—step increase, \$100 (CPC-7); class V—step increase, \$125 (GS-5 through 10 and CPC-8 through 10); class VI—step increase, \$200 (GS-11 through 18 except GS-15); class VII—step increase, \$250 (GS-15).